

FISCAL NOTE

Bill #: SB0530

Title: Revise oil and natural
gas production taxes

Primary

Sponsor: Al Bishop

Status: As amended by House Tax

Sponsor signature

Date

Dave Lewis, Budget Director

Date

Fiscal Summary

Expenditures:

FY1999 Impact: In order to implement the proposed legislation, the Department of Revenue would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of \$19,200 in FY1999. There would be no additional expenditure impact in FY2000 or FY2001.

<u>Revenue:</u>	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
General Fund (01)	(\$89,483)	(\$217,673)
Groundwater assessment account	(3,483)	(7,587)
Renewable resource grant & loan	(2,470)	(5,381)
Board of Oil and Gas	(14,815)	(32,271)
Reclamation & development grants	(7,411)	(16,143)
Resource Indemnity Trust	(11,338)	(24,698)
University 6-mill account	(130,013)	(276,283)
Total	(\$259,013)	(\$580,035)
Net Impact on General Fund Balance:	(\$89,483)	(\$217,673)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. Total oil production is 15,829,000, 15,543,000, and 15,207,000 barrels per year in CY1999, CY2000, and CY2001 respectively (HJR2).
2. Total natural gas production is 51,203,000, 51,022,000, and 50,690,000 mcf per year in CY1999, CY2000, and CY2001 respectively (HJR2).
3. Montana oil price is \$11.72, \$14.11, and \$15.47 per barrel in CY1999, CY2000, and CY2001 respectively (HJR2).

(continued)

4. Montana natural gas price is \$1.73, \$1.72, and \$1.71 per mcf in CY1999, CY2000, and CY2001 respectively (HJR2).
5. Total oil and natural gas production is distributed across production types and local taxing jurisdictions in the same proportions as in calendar year 1997 (DOR).
6. Oil and gas production taxes are evenly distributed across a calendar year (DOR).
7. Under current law, the locally-distributed portion of taxes received from pre-1985 oil wells is distributed 3.42% to the university system, 25.63% to the general fund, and 70.95% to other school and local taxing jurisdictions (DOR).
8. Under current law the locally-distributed portion of taxes received from post-1985 wells is distributed 1.97% to the university system, 31.14% to the general fund, and 66.89% to other school and local taxing jurisdictions (DOR).
9. The proposed legislation distributes the locally distributed portion of oil and gas production taxes based on levy district liability and previous years mills (DOR).
10. The actual amount of post-99 oil and natural gas production cannot be determined, therefore specific posts-1999 production impacts are excluded from this fiscal analysis (DOR).
11. This fiscal analysis does not contain any impact due to increased direct state aid for local schools (DOR).
12. The data necessary to calculate the impact to individual local government taxing jurisdictions by the proposed change from unit value based distribution, to liability-based distribution is not readily available.

FISCAL IMPACT:

Expenditures:

In order to implement the proposed legislation, the department would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of \$19,200 in FY1999. There would be no additional expenditure impact in FY2000 or FY2001.

	FY2000	FY2001
<u>Revenues:</u>	<u>Difference</u>	<u>Difference</u>
General Fund (01)	(\$89,483)	(\$217,673)
Groundwater assessment account	(3,483)	(7,587)
Renewable resource grant & loan	(2,470)	(5,381)
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Resource Indemnity Trust	(11,338)	(24,698)
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Total	(\$259,013)	(\$580,035)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
County Govt's (includes misc. districts)	(\$225,742)	(\$481,711)
County education trans. & retirement	(270,979)	(576,067)
Local school districts	(209,074)	(446,256)
Total Local Gov't Impact	(\$705,796)	(\$1,504,033)

LONG-RANGE IMPACTS:

Assuming current price estimates, the proposed legislation will reduce total revenues from the Oil and Gas Production Tax on existing production by approximately \$2,000,000 annually.